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773.5 MSP/8-555

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, TRIPOLI

56
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

August 5, 1955
DATE

REF : Tripoli Desp. No. 380, June 21, 1955

For Dept. Use Only	ACTION	DEPT. IN FO OTHER
	NEA-4	RMR-2 OIR-6 E-4 ICA-10 S/MSA-1 H/Rep-2
	REC'D 8/23	OSD-4 TR-3 Cin-5 Army-4 Navy-3 Cin-3

SUBJECT: Fifth Meeting of Libyan-American Reconstruction Commission

JOINT EMBASSY-USOM/L MESSAGE

The fifth meeting of the Libyan-American Reconstruction Commission (LARC) occupied an eight-hour, two day session on July 9 and July 11. The pertinent documents are transmitted as Enclosures Nos. 1 through 3. Enclosure No. 1 includes the minutes of LARC's fifth meeting and three appendices: (1) program additions and changes, as presented to the Commission by the Executive Director; (2) recommended actions regarding availability and use of LARC funds and a proposed set of financial procedures for LARC, together with changes made in these actions and procedures at the fifth meeting; (3) a letter from C. H. Teulon, Chief Road Engineer, Ministry of Communications, proposing a change in the scheduling of work on the Federal roads. Enclosure No. 2 is a proposed administrative budget for LARC's first fiscal year. Enclosure No. 3 includes the minutes of a meeting of LARC's Technical Committee on July 2, 1955 preparatory to the Commission meeting on July 9. The three appendices to Enclosure No. 3 deal with projects which were proposed to LARC: (1) the Wadi Megenin flood control and water spreading project; (2) a farm machinery project; and (3) a microwave communications network.

The project which took up the major part of LARC's time in the fifth meeting was Salem al Qadi's farm machinery proposal. This is likely to be a difficult problem, since the Minister of National Economy has been and will probably continue to be very insistent about the project. However, most of the members of LARC are opposed to it, at least on the grand scale envisioned by el Qadi, and it has been referred again to the Agricultural Technical subcommittee for further study.

In regard to the All-Libya Radio Communications Network, which was referred to the Technical Committee for further details, the Executive Director of LARC has informed the Embassy that he plans to recommend loan financing on a straight commercial basis, since the project is for a revenue-producing system which needs no subsidy.

The minutes are self-explanatory on the other proposals brought before LARC, except for part of the material relating to financial procedures (page 12 of the LARC minutes and Enclosure No. 1, Appendix 2). It was agreed in regard to Item 1 of the proposed financial procedure (Appendix 2b) that future payments of special U.S. aid funds could be deposited directly into LARC's U.S. Treasury account. However, in the discussion on Item 2 of the proposed financial procedures, the point

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REVIEWED BY G.M. Raz DATE May 8, 1975

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was made that the special funds form part of the Governmental budget and must be voted to LARC by the Libyan Parliament. In actual practice, the payment due in U.S. fiscal year 1956 has already been voted to LARC by the Parliament and transfer to LARC of this and all future payments has been authorized by the Prime Minister (or rather, by the Deputy Prime Minister and Acting Minister of Foreign Affairs, Abdul Majid Kubaar, in his letter of May 30, 1955). However, since the funds have technically reached LARC by way of the Libyan Governmental budget, the receipt and payment of this amount will have to go through the Government's accounts, which means an initial deposit in the name of the Libyan Government and a subsequent transfer to the LARC account, as in the case of the first $4,000,000. There would seem to be a possibility of misdirection of the special funds in case the Libyan Parliament refused to vote them to LARC, but the actual timing of Parliamentary action on the budget and the due date of payment of the special funds is such that only under the most unusual circumstances would the Parliament not have acted on the budget by the time the payment fell due. In case of adverse action by Parliament, the payment could be held up on the grounds of a violation of the agreement of May 30. In the case of a delay in Parliamentary action on the budget, the payment could be held up to await such action, since no specific date for payment has been set, other than the calendar year.

Discussion on the remaining articles of the financial procedures and on the administrative budget was postponed to the following meeting, which will be held on August 6.

For the Ambassador:

David G. Nes
First Secretary of Embassy

Enclosures: (UNCLASSIFIED)

1 - Minutes of LARC's Fifth Meeting, plus 3 appendices

2 - Proposed Administrative budget for LARC's First Fiscal Year

3 - Minutes of LARC Technical Committee on July 2, 1955

IN A-F

Copy to:

AmEmbassy, Benghazi

(Cleared with Mr. Marcus J. Gordon)

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